

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 6029

BILL NUMBER: SB 127

NOTE PREPARED: Nov 7, 2002

BILL AMENDED:

SUBJECT: Cigarette Tax Revenue Distribution.

FIRST AUTHOR: Sen. Meeks C

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ GENERAL
☒ DEDICATED
☐ FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that five cents of the tax on each pack of cigarettes sold is to be distributed to Indiana cities and towns based on population. It redistributes the remaining Cigarette and Other Tobacco Product Taxes.

Effective Date: July 1, 2003.

Explanation of State Expenditures: The changes in this bill could have a minimal administrative impact on the Department of State Revenue and Auditor of State. The impact on these agencies is expected to be covered using existing staff and resources.

Explanation of State Revenues: This bill shifts a portion of the revenue generated from the state's \$0.555 per pack tax on cigarettes from the state General Fund to cities and towns according to their population. The provisions in the bill will reduce state General Fund revenue by \$36.4 M in FY 2004 and \$36.6 in FY 2005. The bill will not impact the other funds that receive Cigarette Tax revenue, including the Cigarette Tax Fund, the Mental Health Centers Fund, and the Pension Relief Fund.

This estimate is based on the Revenue Technical Committee's FY 2003 forecast (November 14, 2001), as adjusted for the increase in the Cigarette Tax authorized by P.L. 192-2002(ss) . *This note will be updated when the FY 2004 forecast becomes available.*

Explanation of Local Expenditures:

Explanation of Local Revenues: This bill will distribute \$0.05 of the \$0.555 per pack tax on cigarettes to cities and

towns based on population. Cigarette tax revenue for cities and towns will be distributed daily to the County Cigarette Revenue Account created by the bill. Funds will begin to be collected starting July 1, 2003. Quarterly distributions to cities and towns will begin after January 1, 2004. It is estimated that the state's cities and towns will share an estimated \$45.5 M in CY 2004 and \$36.5 M in CY 2005. The larger distribution in CY 2004 is the result of revenue collecting in the County Cigarette Revenue Account prior to the first distribution. Cities and towns may use the funds for economic development, infrastructure, or public safety.

A list of estimated distributions to all of the state's cities and towns is available from the Legislative Services Agency.

State Agencies Affected: Department of State Revenue; Auditor of State; Treasurer of State.

Local Agencies Affected: Cities and towns.

Information Sources:

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